

# **Establishing Energy Enterprises**

## ***The need for “Patient Capital”***

**Mike Allen**

**E&Co**

**mike@energyhouse.com**

**Village Power, Washington DC**

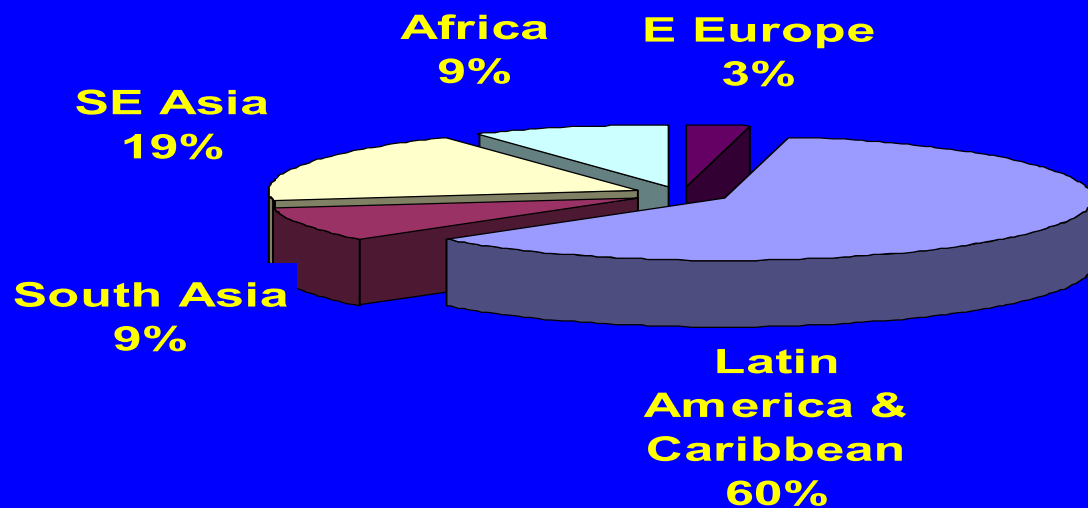
**December 2000**

# E&Co Experience Base

- 10 Years
- > 50 RE Projects in 20+ Developing Countries - reviewed over 300 prospects
- Enterprise development support **PLUS** seed capital (equity and/or debt)
- Design of SDC
- REEF

# Projects by Region

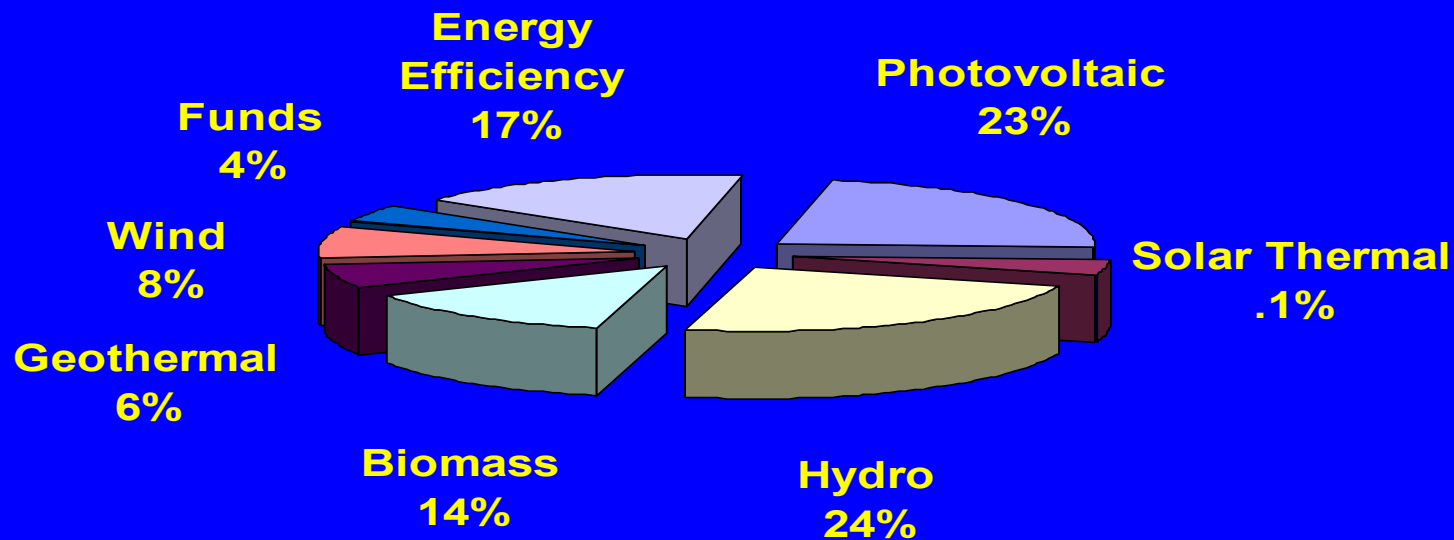
**\$7.6 m in 58 enterprises in 27 countries**  
(percent by investment)



# Projects by Technology

**58 projects in 27 countries**

(percent by investment)



# **The E&Co Implementation Model**

- **Customers**
- **Entrepreneurs**
- **Local Presence**
- **Product and Services**
- **Tools and Information**
- **Finance and Support Services**
- **Policies**

# **RE Company Stages**

**Stage 1 - Highly Risky - Many Fail**

**Stage 2 - Still Risky -  
Most Stay Small**

**Stage 3 - Investment Grade  
“Commercial”**

Time →

### Stage 1

**Requires Seed Capital and Enterprise Development Services...many will fail most will stay small**

**“Patient capital”**

### Stage 2

**Path A - Commercial Capital**

**Path B - Small Sustainable Business**

**Path C - Add'l Developmental Capital**

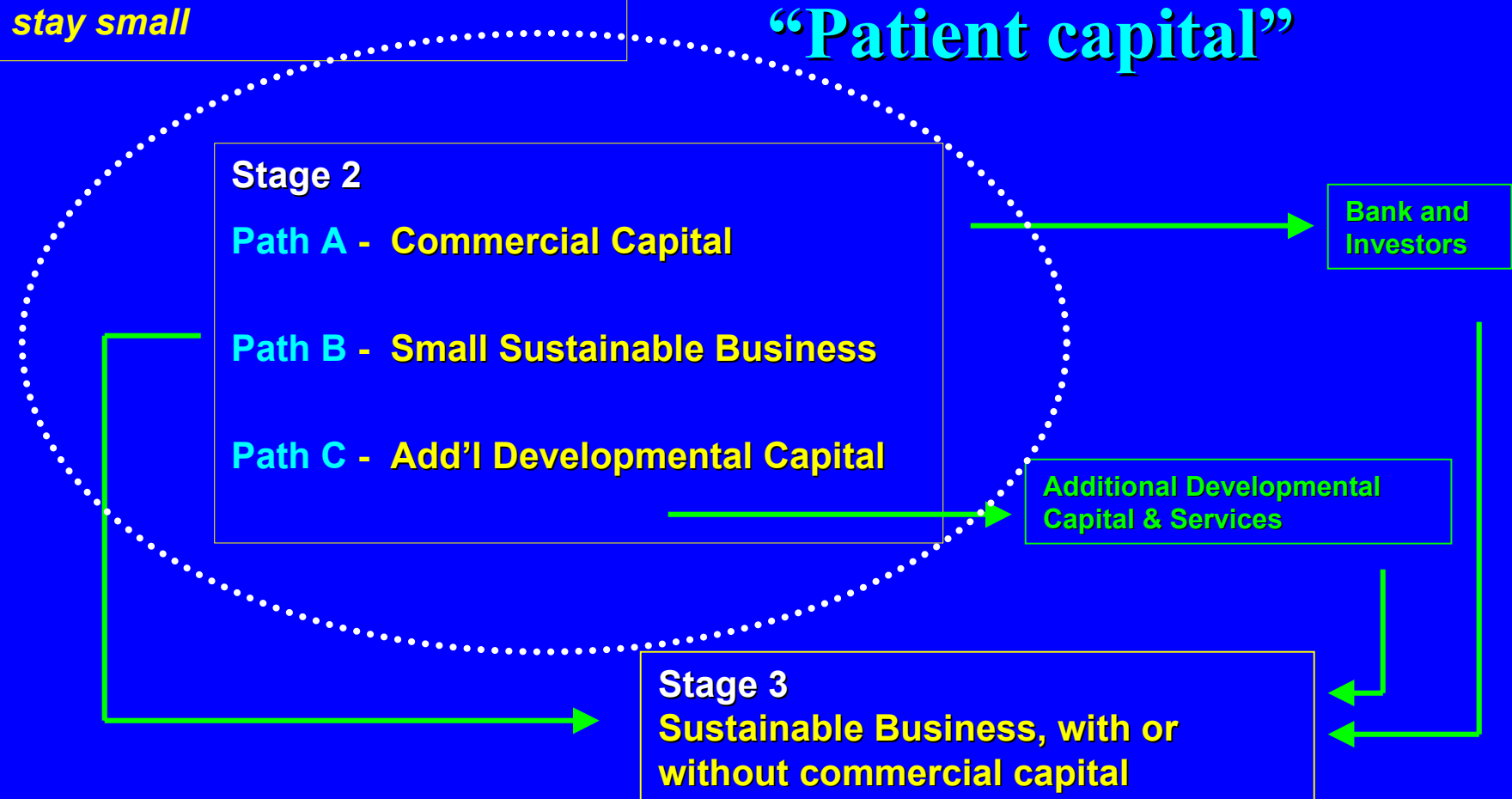
**Bank and Investors**

**Additional Developmental Capital & Services**

### Stage 3

**Sustainable Business, with or without commercial capital**

E&Co



# Four important things for Stage 1 and Stage 2

- Market Opening Activities (AREED and FENERCA)
- Tools for Fact- finding, Feasibility Analysis and Business Planning
- Enterprise Development Services
- Risk / Patient Capital
  - to start (Stage 1)
  - to improve and improvise (Stage 2)



# **Our view of what are not the problems**

- **Technology is not the problem**
- **Business Models are not the problem**
- **Policy Models are not the problem**
- **Demand for the product is not the problem**
- **Ability to pay is not the problem**

# **The problems**

- **Under-investment of development \$\$\$ in Stage 1 and Stage 2**
- **Too much focus on the application of Stage 3 Company investment rules to immature companies**
- **Multilaterals and bilaterals supporting unrealistic expectations**

# **The real challenge...**

- **Creating 100,000 small and medium size companies to deliver energy services beginning in next 10 years?**
- **How many do we have today?**

# Rethinking what is needed...

- Spend more at Stage 1 of businesses
  - in enterprise development services
  - in small amounts of seed capital (\$50k to \$250k).
- Be prepared to provide more at Stage 2 (\$250,000 fully at risk) - “patient capital” -

- Be realistic about the market we are in!